

Recording Requested By:

[CURRENT OWNER]

When Recorded, Mail To:

Executive Officer
California Regional Water Quality Control Board
Central Valley Region
11020 Sun Center Drive
Rancho Cordova, California 95670

**COVENANT AND ENVIRONMENTAL RESTRICTION
ON PROPERTY**

Brunswick Grass Valley Mill site - 12503 Brunswick Road, Grass Valley, CA

This Covenant and Environmental Restriction on Property ("Covenant") is made as of the 17th day of August 2006 by Sierra Pacific Industries ("Covenantor") who is the Owner of record of that certain property situated at 12503 Brunswick Road, in the City of Grass Valley, County of Nevada, State of California, which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (hereinafter referred to as the "Burdened Property"), for the benefit of the California Regional Water Quality Control Board, Central Valley Region ("Regional Water Board") (Covenantor and the Board may be referred to herein as the "parties"), with reference to the following facts:

A. The groundwater underlying the Burdened Property contains residual volatile organic compounds (VOCs) at levels exceeding the maximum contaminant level (MCL) for drinking water.

B. Contamination of the Burdened Property. The VOC, 1,1-dichloroethane has been detected in ground water at levels exceeding the MCL for drinking water. Sierra Pacific Industries evaluated the inhalation risk to human health of residual VOCs in groundwater to indoor air for residential use. The evaluation concluded that the residual VOCs in groundwater present no threat to human health from vapor migration to indoor air.

C. Exposure Pathways. The waste constituent addressed in this Covenant is present in groundwater underlying the Burdened Property. Without this Covenant, exposure to this waste constituent could take place via ingestion.

D. Adjacent Land Uses and Population Potentially Affected. The Burdened Property has been and will be used for industrial and commercial uses and is adjacent to industrial land uses.

E. Full and voluntary disclosure to the Regional Water Board of the presence of the ground

water pollution on the Burdened Property has been made and required sampling of the Burdened Property has been conducted.

F. Covenantor desires and intends that in order to benefit the Regional Water Board, and to protect the present and future public health and safety, the Burdened Property shall be used in such a manner as to avoid potential harm to persons or property that may result from the waste constituent underlying the Burdened Property.

ARTICLE I GENERAL PROVISIONS

1.1 Provisions to Run with the Land. This Covenant sets forth protective provisions, covenants, conditions and restrictions (collectively referred to as "Restrictions") upon and subject to which the Burdened Property and every portion thereof shall be improved, held, used, occupied, leased, sold, hypothecated, encumbered, and/or conveyed. The restrictions set forth in Article III are reasonably necessary to protect present and future human health and safety or the environment as a result of the presence of VOCs in the ground water underlying the land. Each and all of the Restrictions shall run with the land, and pass with each and every portion of the Burdened Property, and shall apply to, inure to the benefit of, and bind the respective successors in interest thereof, for the benefit of the Regional Water Board and all Owners and Occupants. Each and all of the Restrictions are imposed upon the entire Burdened Property unless expressly stated as applicable to a specific portion of the Burdened Property. Each and all of the Restrictions run with the land pursuant to section 1471 of the Civil Code. Each and all of the Restrictions are enforceable by the Regional Water Board.

1.2 Concurrence of Owners and Lessees Presumed. All purchasers, lessees, or possessors of any portion of the Burdened Property shall be deemed by their purchase, leasing, or possession of such Burdened Property, to be in accord with the foregoing and to agree for and among themselves, their heirs, successors, and assignees, and the agents, employees, and lessees of such owners, heirs, successors, and assignees, that the Restrictions as herein established must be adhered to for the benefit of the Regional Water Board and the Owners and Occupants of the Burdened Property and that the interest of the Owners and Occupants of the Burdened Property shall be subject to the Restrictions contained herein.

1.3 Incorporation into Deeds and Leases. Covenantor desires and covenants that the Restrictions set out herein shall be incorporated in and attached to each and all deeds and leases of any portion of the Burdened Property. Recordation of this Covenant shall be deemed binding on all successors, assigns, and lessees, regardless of whether a copy of this Covenant and Agreement has been attached to or incorporated into any given deed or lease.

1.4 Purpose. It is the purpose of this instrument to convey to the Regional Water Board real property rights, which will run with the land, to facilitate the remediation of past environmental contamination and to protect human health and the environment by reducing the risk of exposure to residual hazardous materials.

ARTICLE II DEFINITIONS

2.1 Regional Water Board. "Regional Water Board" shall mean the California Regional Water Quality Control Board, Central Valley Region and shall include its successor agencies, if any.

2.2 Improvements. "Improvements" shall mean all buildings, roads, driveways, regradings, and paved parking areas, constructed or placed upon any portion of the Burdened Property.

2.3 Occupants. "Occupants" shall mean Owners and those persons entitled by ownership, leasehold, or other legal relationship to the right to use and/or occupy all or any portion of the Burdened Property.

2.4 Owner or Owners. "Owner" or "Owners" shall mean the Covenantor and Covenantor's successors in interest, who hold title to all or any portion of the Burdened Property.

ARTICLE III DEVELOPMENT, USE AND CONVEYANCE OF THE BURDENED PROPERTY

3.1 Restrictions on Development and Use. Covenantor promises to restrict the use of the Burdened Property as follows:

- a. No groundwater from the Burdened Property shall ever be used for any domestic purpose, including but not limited to use as drinking water.
- b. No Owners or Occupants of the Property or any portion thereof shall drill, bore, otherwise construct, or use a well for the purpose of extracting water for any use, including but not limited to, domestic, potable, or industrial uses, unless expressly permitted in writing by the Regional Water Board.
- c. The Covenantor agrees that the Regional Water Board, and any persons acting pursuant to Regional Water Board orders, shall have reasonable access to the Burdened Property for the purposes of inspection, surveillance, maintenance, or monitoring, as provided for in Division 7 of the Water Code.
- d. No Owner or Occupant of the Burdened Property shall act in any manner that will aggravate or contribute to the existing environmental conditions of the Burdened Property.

3.2 Enforcement. Failure of an Owner or Occupant to comply with any of the restrictions, as set forth in paragraph 3.1, shall be grounds for the Regional Water Board, by reason of this Covenant, to have the authority to require that the Owner modify or remove any Improvements constructed in violation of that paragraph. Violation of the Covenant shall be grounds for the Regional Water Board to file civil actions against the Owner as provided by law.

3.3 Notice in Agreements. After the date of recordation hereof, all Owners and Occupants shall execute a written instrument, which shall accompany all purchase agreements or leases relating to the property. Any such instrument shall contain the following statement:

Owner, Sierra Pacific Industries, covenants and agrees, for itself and its successors and assigns and for the benefit of Owner, its successors and assigns, and as a covenant running with the land pursuant to California Civil Code section 1471, which Owner acknowledges to be reasonably necessary to protect present and/or future human health and safety, and/or the environment, as a result of the presence of VOCs in ground water underlying the above-described property (the "Property"), that no groundwater from the Property shall ever be used for any domestic purpose, including but not limited to use as drinking water.

ARTICLE IV VARIANCE AND TERMINATION

4.1 Variance. Any Owner or, with the Owner's consent, any Occupant of the Burdened Property or any portion thereof may apply to the Regional Water Board for a written variance from the provisions of this Covenant.

4.2 Termination. If after any four (4) consecutive quarters of any year within the term of this Covenant, test data from samples taken from the Burdened Property demonstrate that the VOC levels are below the MCL, then after review and written concurrence by the Regional Water Board this Covenant shall terminate, and upon such termination, the parties shall have no further obligation to one another.

4.3 Term. Unless terminated in accordance with paragraph 4.2 above, by law or otherwise, this Covenant shall continue in effect in perpetuity.

ARTICLE V MISCELLANEOUS

5.1 No Dedication Intended. Nothing set forth herein shall be construed to be a gift or dedication, or offer of a gift or dedication, of the Burdened Property or any portion thereof to the general public.

5.2 Notices. Whenever any person gives or serves any notice, demand, or other communication with respect to this Covenant, each such notice, demand, or other communication shall be in writing and shall be deemed effective (1) when delivered, if personally delivered to the person being served or official of a government agency being served, or (2) three (3) business days after deposit in the mail if mailed by United States mail, postage paid certified, return receipt requested:

If To: "Covenantor"
Sierra Pacific Industries
19794 Riverside Ave.
Anderson, CA 96007
Attention: Gary Blanc

If To: "Regional Water Board"
Regional Water Quality Control Board
Central Valley Region
Attention: Executive Officer
11020 Sun Center Drive
Rancho Cordova, California 95670

5.3 Partial Invalidity. If any portion of the Restrictions or terms set forth herein is determined to be invalid for any reason, the remaining portion shall remain in full force and effect as if such portion had not been included herein.

5.4 Article Headings. Headings at the beginning of each numbered article of this Covenant are solely for the convenience of the parties and are not a part of the Covenant.

5.5 Recordation. This instrument shall be executed by the Covenantor and by the Executive Officer of the Regional Water Board. This instrument shall be recorded by the Covenantor in the County of Nevada within ten (10) days of the date of execution.

5.6 References. All references to Code sections include successor provisions.

5.7 Construction. Any general rule of construction to the contrary notwithstanding, this instrument shall be liberally construed in favor of the Covenant to effect the purpose of this instrument and the policy and purpose of the Water Code. If any provision of this instrument is found to be ambiguous, an interpretation consistent with the purpose of this instrument that would render the provision valid shall be favored over any interpretation that would render it invalid.

IN WITNESS WHEREOF, the parties execute this Covenant as of the date set forth above.
Covenantor: Sierra Pacific Industries, a California corporation

By: AA Emerson
Title: President
Date: 8-17-06

California Regional Water Quality Control Board,
Central Valley Region

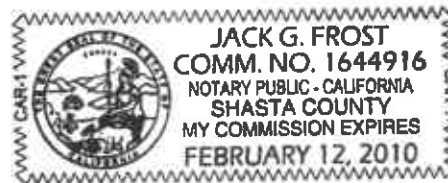
By: James C. Cruden
Title: Executive Officer
Date: 9-22-06

STATE OF CALIFORNIA) Acknowledgment as to Covenantor
)
COUNTY OF Shasta)

On August 17, 2006 before me, Jack G. Frost, Notary Public,
[insert date] [insert name and title of officer]
the undersigned personally appeared A.A. Emmerson,
[insert Covenantor's or Covenantor's agent's name]
personally known to me or proved to me on the basis of satisfactory evidence to be the person(s)
whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that
~~he/she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~
signature(~~s~~) on the instrument the person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

WITNESS my hand and official seal.

Jack G. Frost
Notary Public in and for said
County and State



STATE OF CALIFORNIA) Acknowledgment as to California Regional Water
) Quality Control Board, Central Valley Region
COUNTY OF Sacramento)

On September 22, 2006 before me, Wendy J. DeSarno, Notary Public
[insert date] [insert name and title of officer]
the undersigned personally appeared Pamela Creedon, Executive Officer
personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to
the within instrument and acknowledged to me that he executed the same in his authorized
capacity as Executive Officer, and that by his signature on the instrument the California Regional
Water Quality Control Board, Central Valley Region executed the instrument.

WITNESS my hand and official seal.

Wendy J. DeSarno
Notary Public in and for said
County and State



EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

FIRST AMERICAN

Exhibit A

Order No. 57731 DK

DESCRIPTION

Those parcels of land in the unincorporated area, County of Nevada, State of California, described as follows:

PARCEL ONE: (APN: 6-441-03)

The surface and sub-surface to a depth of 75 feet below the surface of a portion of the Northwest 1/4 of Section 31, Township 16 North, Range 9 East, M.D.M., being more particularly described as follows, to-wit:

Beginning at a point on a Southwesterly line of that certain County Road known as the Brunswick Road from which the Northwest corner of Section 31, Township and Range aforesaid, bears North 38° 50' 44" West 1125.89 feet distant; thence from said point of commencement with true bearings South 46° 19' West 469.54 feet to a steel drill; thence South 55° 18' East 140.65 feet to a steel drill; thence South 62° 53' East 118.76 feet to a steel drill; thence South 36° 38' West 495.05 feet to a steel drill; thence South 34° 37' East 612.51 feet to a steel drill; thence North 55° 33' East 725.10 feet to a steel drill situate on the said Southwesterly line of the Brunswick Road; thence along said line North 29° 16' 14" West 1088.66 feet to a steel drill, the place of beginning.

PARCEL TWO (APN: 6-441-04)

All that certain portion of the Northwest one-quarter (NW 1/4) of Section Thirty One (31), Township Sixteen (16) North, Range Nine (9) East, M.D.M., being more particularly described as follows:

Beginning at the Southeast corner of that certain 14.044 acre tract of land as described in deed dated December 3, 1956, recorded December 10, 1956, in Book "227" of Official Records, Page 292, Filed No. 4997, Nevada County Records, executed by Idaho Maryland Mines Corporation to Milton Balmain and Ina V. Balmain at a point on the Southwesterly line of the "New Brunswick" County Road as described in Parcel 2 of deed dated October 24, 1955, recorded November 4, 1955, in Book "214" of Official Records, Page 431, File No. 4722, Nevada County Records, executed by Idaho Maryland Mines Corporation to County of Nevada; thence from said point of beginning, South 55° 33' West along the Southeasterly line of said 14.044 acre tract to its intersection with the Southwesterly line of the former Nevada County Narrow Gauge Railroad right of way; thence Southeasterly along the Southwesterly line of said Railroad right of way to its intersection with the Southwesterly line of said County Road; thence North 29° 16' 14" West along the Southwesterly line of said County Road to the point of beginning.

Continued--

FIRST AMERICAN
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Order No. 57731 DK

PARCEL THREE: (APN: 6-441-05)

All that portion of the West one half of Section 31, Township 16 North, Range 9 East, M.D.M., described as follows:

Beginning at the West one quarter section corner of said Section 31; thence North 1° 21' West 834.65 feet along the West line of the Northwest one quarter of said Section 31 to a point in the Southerly line of the Wm. Ghidotti (formerly Idaho Maryland) property; thence along said Southerly line the following three courses: South 62° 46' East 33.07 feet; thence North 81° 56' East 176.00 feet; thence North 33° 38' East 90.00 feet to a corner of Pendola (formerly Yuba River Lumber Company); thence along two courses of Pendola as follows: South 34° 37' East 612.51 feet, and North 55° 33' East 568.30 feet to a point in the Southwesterly right of way line of abandoned Nevada County Narrow Gauge Railroad; thence along said Southwesterly right of way line the following two courses: South 47° 23' East 340.52 feet; thence along a curve to the left with radius of 490.74 feet, through an angle of 13° 16' 41" for a distance of 113.73 feet, the long chord of which bears South 54° 01' 26" East 113.47 feet; thence along the Westerly line of Brunswick Road, County Road Number 31 the following two courses: South 29° 16' 14" East 825.46 feet; thence along a curve to the right with radius of 750 feet, through an angle of 31° 29' 41" for a distance of 412.27 feet, the long chord of which bears South 13° 31' 26" East 407.09 feet; thence West 1886.14 feet to a point in the West line of the Southwest one quarter of said Section 31; thence North 0° 28' West 676.80 feet to the point of beginning.

EXCEPTING THEREFROM all minerals, gas, oil and mineral deposits below a depth of 200 feet beneath such surface; together with all necessary and convenient rights to explore for, develop, produce, extract and take the same subject to the express limitations that the foregoing shall not include any right of entry upon the surface of said land without the consent of the owner of such surface of said land as excepted in the Deed recorded August 12, 1959, in Book 266 of Official Records, at Page 185, by Idaho Maryland Mines Corporation, a Nevada Corporation.

PARCEL FOUR: (APN: 6-441-29 and 30)

Lot 8 as shown upon the Subdivision Map of Bet Acres, No. 85-7, filed in the Office of the recorder, County of Nevada, State of California, on February 24, 1987, in Book 7 of Subdivisions, Page 75.

EXCEPTING THEREFROM the following described portion:

Continued—

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BEGINNING at a point on the Southeasterly right-of-way line of Brunswick Road as described in that certain deed recorded November 4, 1955 in Book 214 Official Records, at Page 431, Nevada County Records, and being the most Northerly corner of said Lot 8 from which the Northwest corner of Section 31, Township 16, North, Range 9 East, M.D.M., bears North 64° 01' 34" West, 235.16 feet; thence from SAID POINT OF BEGINNING, along the Southwesterly right-of-way line of said Brunswick Road, in a Southeasterly direction along a curve concave to the Southwest with a radius of 1,350 feet, to which a radial line bears North 44° 43' 16" East; thence Southeasterly 53.62 feet along said curve through a central angle of 2° 16' 34", to a radial line of said curve which bears North 44° 43' 16" East; thence leaving said West right-of-way line, South 88° 55' 01" West, 60.76 feet; thence South 51° 52' 43" West, 120.52 feet to the Northwesternly line of said Lot 8 of Bet Acres; thence North 46° 01' 53" East, 164.25 feet, along said Northwesternly line of said Lot 8 of Bet Acres to the POINT OF BEGINNING; as conveyed to the County of Nevada by Deed recorded June 8, 1990, Document No. 90-17706.

ALSO EXCEPTING THEREFROM all the mineral, metal matter and rock lying below 200 feet of the surface, with the right to extract and remove said mineral, metal matter and rock from any depth up to 200 feet of the surface of said premises, without disturbing the surface thereof; as excepted and reserved by Mary Bouma, Erica Erickson and William Toms in Grant Deed recorded April 1, 1988, Document No. 88-07737.

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